

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Raisin Township		County Lenawee
Audit Date 12/31/04	Opinion Date 5/14/05	Date Accountant Report Submitted to State: 7/29/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Gross, Puckey, Gruel & Roof, PC			
Street Address 153 E Maumee St		City Adrian	State MI
Accountant Signature 		ZIP 49221	Date 7/29/05

CHARTER TOWNSHIP OF RAISIN
Lenawee County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
Year Ended December 31, 2004

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ADRIAN, MICHIGAN
JACKSON, MICHIGAN

INDEPENDENT AUDITORS' REPORT

To the Township Board
Charter Township of Raisin
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Raisin, Lenawee County, Michigan, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Charter Township's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Raisin, Lenawee County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 22 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Raisin, Lenawee County, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Adrian, Michigan
May 14, 2005

MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2004

The Management's discussion and analysis, a requirement of GASB 34, is intended to be the Charter Township of Raisin Management's discussion and analysis of the financial results for the year ended December 31, 2004. This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Township has elected to exclude the information in this report. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

- The assets of Raisin Township exceeded its liabilities at the close of the most recent fiscal year by \$1,250,972 (*net assets*). Of this amount \$607,566 (*unrestricted net assets*) may be used to meet the township's ongoing obligations to citizens and creditors.
- As of the close of the fiscal year, Township's governmental funds reported combined ending fund balances of \$602,864, a decrease of \$268,058 in comparison with the prior year. Approximately 100% is available for spending at the discretion of the Township (*unreserved balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$480,553 or 84% of total general fund expenditures.
- The Township's total debt decreased by \$164,238 (10%) during the current fiscal year. The key factor in this decrease was timely payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Raisin Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include: general government, public safety, and construction bond fund. The business-type activities of the Township include: building fund. The government-wide financial statements can be found on pages 6 -7 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Raisin Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All

of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Raisin Township maintains 3 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Safety, and Construction Bond Funds, which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary funds. Raisin Township maintains a single proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise fund to account for its Building services. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*: Budgetary Comparison Schedules for both the General and Public Safety Funds. Required supplementary information can be found on pages 22 - 23 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Raisin Township, assets exceeded liabilities by \$1,250,972 at the close of the most recent fiscal year. By far the most significant portion of the Township's net assets (51%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net assets* (\$607,566) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's net assets decreased by \$71,039 during the current fiscal year as discussed below.

Governmental activities. Governmental activities decreased the Township's net assets by \$268,058. Key elements of this decrease are as follows:

- During 2004, Construction Bond Funds were used to renovate and remodel the Public Safety portion of the Township Hall. The renovation included new living quarters, kitchen, and restroom facilities for the Public Safety staff and also a meeting room.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the Township's net assets by \$4,313, accounting for 6.3% of the total growth in the Township's net assets. Key elements of this increase are as follows:

- At the beginning of 2004, the Board reviewed and raised the rates for both building and electrical permits.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$602,864, a decrease of \$268,058 in comparison with the prior year. Approximately 100% of this total amount, \$602,786, constitutes *unreserved fund balance*, which is available for spending at the Township's discretion. The fund balance of the Township's general fund increased by \$120,806 during the current fiscal year. Key factors were as follows:

- The Township's tax base continues to grow as new construction and subdivisions come into the area, causing tax revenues to increase.
- Due to increased rescue calls in the Public Safety Fund, only \$450,000 was transferred from the general fund instead of the \$574,054 budgeted.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Building Fund at the end of the year amounted to \$ 4,702. The total growth in net assets was \$4,313. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$31,907 decrease in budgeted revenues and \$29,923 in budgeted expenses and can be briefly summarized as follows:

- During the course of the year, the board adjusted the budgeted revenues as it became apparent where the shortfalls were hidden, namely state revenue sharing. The board also chose to adjust the budget as it saw additional spending needs in the legislative, public safety and public works categories. These additional needs included, but were not limited to, wages and supplies.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$1,511,789 (net of accumulated depreciation). This investment in capital assets includes: land, buildings and system, improvements, machinery and equipment, furniture and fixtures, etc. The total increase in the Township's investment in capital assets for the current fiscal year was 15% (a 15% increase for governmental activities only).

Major capital asset events during the current fiscal year included the following:

- Renovations to the Public Safety Department in the Township hall, including new living quarters (dorms, bathrooms and a kitchen) and a new meeting room.

Details of the Township's capital assets are continued in the notes to the financial statements on page 21.

Long-term debt. At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$868,383. Of this amount, \$503,383 comprises debt backed by the full faith and credit of the government and \$365,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Additional information on the Township's long-term debt can be found in the notes on pages 18 - 19.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to decrease in the 2005 fiscal year. The Township budgeted for an decrease in state-shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. These factors were considered in preparing the Township's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$480,475.

The Public Safety Fund rates were decreased in the 2004 budget year. The rescue call rates actually increased by an average of 5.7% for all call types. These rate increases were necessary to finance the debt service and the ongoing rescue call system improvements.

Requests for Information

This financial report is designed to provide a general overview of Raisin Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Carl F. Wagner
Township Supervisor
Charter Township of Raisin
5525 Occidental Highway
Tecumseh, Michigan 49286
Fax: (517) 423-6732, Phone: (517) 423-3162
Or Email – supervisor@raisintownship.com

CHARTER TOWNSHIP OF RAISIN

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government		
	Governmental Activities	Proprietary Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and deposits	\$ 623,497	\$ 15,277	\$ 638,774
Due from fiduciary funds	1,523,038	69,414	1,592,452
Accounts receivable	39,009	-	39,009
Total Current Assets	2,185,544	84,691	2,270,235
Non-current Assets			
Capital assets	2,968,098	-	2,968,098
Less: accumulated depreciation	(1,456,309)	-	(1,456,309)
Total Non-current Assets	1,511,789	-	1,511,789
Total assets	3,697,333	84,691	3,782,024
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	66,817	3,477	70,294
Due to other funds	818,902	76,512	895,414
Deferred revenue	696,961	-	696,961
Current portion of long term liabilities	131,694	-	131,694
Total Current Liabilities	1,714,374	79,989	1,794,363
Non-current Liabilities			
Non-current portion of long term liabilities	736,689	-	736,689
Total Non-current Liabilities	736,689	-	736,689
Total liabilities	2,451,063	79,989	2,531,052
Net Assets			
Investment in capital assets, net of related debt	643,406	-	643,406
Unrestricted / undesignated	602,864	4,702	607,566
Total Net Assets	\$ 1,246,270	\$ 4,702	\$ 1,250,972

CHARTER TOWNSHIP OF RAISIN

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants and	Net (Expense)
			Contributions	Revenue and
				Changes in Net
				Assets
Governmental activities:				
Legislative	\$ 87,309	\$ -	\$ -	\$ (87,309)
General government	273,230	75,733	-	(197,497)
Public safety	791,013	174,156	27,569	(589,288)
Public works	37,460	-	-	(37,460)
Culture and recreation	46,959	-	-	(46,959)
Depreciation (unallocated)	104,447	-	-	(104,447)
Total governmental activities	1,340,418	249,889	27,569	(1,062,960)
Proprietary activities:				
Building fund	103,945	108,258	-	4,313
Total primary government	\$1,444,363	\$ 358,147	\$ 27,569	\$ (1,058,647)
General Revenues:				
				1,124,864
Taxes and penalties				26,777
Interest and rentals				207
Other revenue				1,151,848
Total general revenues and transfers				
Change in Net Assets				93,201
Net assets - beginning - restated				1,157,771
Net assets - ending				\$ 1,250,972

CHARTER TOWNSHIP OF RAISIN

BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2004

	General	Public Safety	Capital Improvement	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 531,235	\$ 89,856	\$ 2,406	\$ 623,497
Accounts receivable	-	39,009	-	39,009
Due from other funds	<u>1,116,786</u>	<u>381,252</u>	<u>25,000</u>	<u>1,523,038</u>
	<u>\$1,648,021</u>	<u>\$ 510,117</u>	<u>\$ 27,406</u>	<u>\$2,185,544</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 19,841	\$ 45,936	\$ 1,040	\$ 66,817
Deferred revenues	696,961	-	-	696,961
Due to other funds	<u>450,666</u>	<u>368,236</u>	<u>-</u>	<u>818,902</u>
TOTAL LIABILITIES	1,167,468	414,172	1,040	1,582,680
FUND BALANCES:				
Designated for capital projects	-	-	26,366	26,366
Unrestricted	<u>480,553</u>	<u>95,945</u>	<u>-</u>	<u>576,498</u>
TOTAL FUND BALANCES	<u>480,553</u>	<u>95,945</u>	<u>26,366</u>	<u>602,864</u>
	<u>\$1,648,021</u>	<u>\$ 510,117</u>	<u>\$ 27,406</u>	<u>\$2,185,544</u>

Total Governmental Fund Balances \$ 602,864

Amounts reported for governmental activities in the statement of net assets are different because:

* Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,511,789
* Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(868,383)
* Proprietary fund balance included in government-wide balances	<u>4,702</u>
Net assets of governmental activities	<u>\$1,250,972</u>

CHARTER TOWNSHIP OF RAISIN
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND**
Year Ended December 31, 2004

	<u>General</u>	<u>Public Safety</u>
REVENUES:		
Taxes and penalties	\$1,040,175	\$ 84,689
Charges for services	75,733	174,156
Interest and rentals	24,975	1,080
Other revenue	<u>4,459</u>	<u>(4,252)</u>
Total revenues	1,145,342	255,673
EXPENDITURES:		
Current		
Legislative	87,309	-
General government	273,230	-
Public safety	23,538	746,092
Public works	37,460	-
Culture and recreation	46,959	-
Debt service	106,040	58,198
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>574,536</u>	<u>804,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>570,806</u>	<u>(548,617)</u>
OTHER FINANCING SOURCES (USES):		
Grant proceeds	-	27,569
Operating transfers in	-	450,000
Operating transfers out	<u>(450,000)</u>	<u>-</u>
Total other financing sources	<u>(450,000)</u>	<u>477,569</u>
Net change in fund balances	120,806	(71,048)
FUND BALANCES:		
Fund Balance - January 1, 2004	<u>359,747</u>	<u>166,993</u>
Fund Balance - December 31, 2004	<u>\$ 480,553</u>	<u>\$ 95,945</u>

Net Change in Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the statement of activities
are different because:

- * Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.
- * Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt.)
- * Proprietary fund change in fund balance included in government-wide balances

Changes in net assets of governmental activities

<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
\$ -	\$1,124,864
-	249,889
722	26,777
-	<u>207</u>
722	1,401,737
-	87,309
-	273,230
21,383	791,013
-	37,460
-	46,959
-	164,238
<u>297,155</u>	<u>297,155</u>
<u>318,538</u>	<u>1,697,364</u>
<u>(317,816)</u>	<u>(295,627)</u>
-	27,569
-	450,000
-	<u>(450,000)</u>
-	<u>27,569</u>
(317,816)	(268,058)
<u>344,182</u>	<u>870,922</u>
<u>\$ 26,366</u>	<u>\$ 602,864</u>
	\$ (268,058)
	192,708
	164,238
	<u>4,313</u>
	<u>\$ 93,201</u>

CHARTER TOWNSHIP OF RAISIN

BALANCE SHEET
PROPRIETARY FUND
December 31, 2004

	<u>Building Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 15,277
Due from other funds	<u>69,414</u>
	<u>\$ 84,691</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES:	
Accounts payable	\$ 3,477
Due to other funds	<u>76,512</u>
TOTAL LIABILITIES	79,989
 FUND BALANCES:	
Unrestricted	<u>4,702</u>
TOTAL FUND BALANCES	<u>\$ 84,691</u>

CHARTER TOWNSHIP OF RAISIN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

Year Ended December 31, 2004

	<u>Building Fund</u>
REVENUES:	
Charges for services	\$ 108,118
Interest and rentals	<u>140</u>
Total revenues	108,258
EXPENDITURES:	
Current	
Building department	<u>103,945</u>
Total expenditures	<u>103,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,313
FUND BALANCES:	
Fund Balance - January 1, 2004	<u>389</u>
Fund Balance - December 31, 2004	<u>\$ 4,702</u>

CHARTER TOWNSHIP OF RAISIN

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2004

	<u>Building Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 108,118
Cash paid to employees and suppliers	(101,082)
Cash received for interest	<u>140</u>
Net cash provided (used) by operations	7,176
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating transfers to other funds	<u>(4,101)</u>
Net cash provided (used) by non-capital financing activities	<u>(4,101)</u>
INCREASE (DECREASE) IN CASH	3,075
BALANCE AT BEGINNING OF YEAR	<u>12,202</u>
BALANCE AT END OF YEAR	<u>\$ 15,277</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 4,313
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Increase (decrease) in accounts payable	<u>2,863</u>
Net cash provided (used) by operating activities	<u>\$ 7,176</u>

CHARTER TOWNSHIP OF RAISIN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
December 31, 2004

	<u>Trust and Agency</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,326,610
Taxes receivable	<u>1,443,857</u>
	<u>\$2,770,467</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES:	
Due to other funds	<u>\$2,770,467</u>
TOTAL LIABILITIES	<u>\$2,770,467</u>

CHARTER TOWNSHIP OF RAISIN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Raisin, Lenawee County, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures, as appropriate. Township resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a Township's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds) which are used to account for resources legally restricted to expenditure for specified current operating purposes or to the acquisition of furniture, fixtures, machinery, equipment, or other relatively minor or comparatively short-lived fixed assets. The General Fund is used to account for all activities of the Township not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services for such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the Township (Internal Service Funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Township. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the Township is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the Township holds on behalf of others as their agent.

An account group is not a fund and does not reflect available financial resources and related liabilities or the measurement of results of operations. The Township uses one account group, General Fixed Assets, to maintain detailed records of the cost of property owned by the Township. The discretely presented governmental component units use one account group, General Long-Term Debt, to record certain long-term obligations.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated

CHARTER TOWNSHIP OF RAISIN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Significant revenues susceptible to accrual are state shared revenues, reimbursement type grants, and reimbursement for use of materials or services.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Township applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Township reports deferred revenue on its combined balance sheet when a potential revenue does not meet the "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures, or when receivables are collectible over an extended period of time and because of the terms and other conditions there is no reasonable basis for estimating the degree of collectibility. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources or as the collectibility is determined, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

BUDGETS

In the body of the financial statements, the Township's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the functional level. Appropriations lapse at year end. The budgets presented are the final revised budgets, presented to and approved by the Board.

PROPERTY TAXES

Properties are assessed and lienied as of December 31 and their related property taxes are billed on December 1 of the following year. These taxes are due February 14 with final collection date of February 28 before they are added to the county delinquent tax rolls.

CHARTER TOWNSHIP OF RAISIN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

TAXES RECEIVABLE – CURRENT

The Township property tax is levied on each December 1st on the State equalized valuation of property located in the Township as of the preceeding December 31st.

Although the Township's 2004 ad valorem tax is levied and collectible on December 31, 2004, it is the Township's policy to recognize revenue from the current tax levy.

The 2004 State equalized valuation of the Township totaled \$200,747,221, on which ad valorem taxes levied consisted of 3.000 mills for the Township's operating purposes and 0.4549 mills for Public Safety raising \$603,017 for operating and \$91,300 for Public Safety. These amounts are recognized in the Fiduciary Trust and Agency Fund as taxes receivable, along with taxes receivable due to other local units of government, with the offsetting credit included in Due to other funds and Due to other units. The amounts due the General Fund and the Special Revenue Fund are presented under the caption Due from Other Funds.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS

Capital assets that include property, plant and equipment are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) using a \$3,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township is not required under GASB 34 to report their infrastructure retroactively, though any new infrastructure assets are required to be reported beginning with this fiscal year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc... Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

CHARTER TOWNSHIP OF RAISIN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS (continued)

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25 – 50 years
Furniture and equipment	5 – 15 years
Vehicles and buses	7 years

INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET ASSETS

For fiscal year 2004, the Township has implemented GASB Statement No. 33 (GASB 33), “Accounting and Financial Reporting for Nonexchange Transactions”, GASB Statement No. 34 (GASB 34), “Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37 (GASB 37), “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus” and GASB Statement No. 38 (GASB 38), “Certain Financial Statement Disclosures”. At January 1, 2004, there was no effect on fund balance as a result of implementing GASB 33, GASB 37, and GASB 38.

Under GASB Statement 33, property taxes are imposed nonexchange revenue. Assets (accounts receivable) from imposed nonexchange transactions are recorded when the District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Therefore, the Township has recorded the succeeding year’s receivable and deferred revenue for taxes assessed as of year-end that will not be received until after year-end.

In prior years, capital contributions were recorded as a direct addition to the contributed capital equity account. GASB 33 requires contributions of capital assets to be recorded as revenue in the Statement of Revenue, Expenses and Changes in Fund Net Assets.

GASB 34 creates new basic financial statements for reporting on the Township’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the Township programs between governmental and business-type activities. The Township has one business-type activities, the Building Fund, as defined by the proprietary fund definition given by GASB. The beginning net asset amount for governmental activities reflects fund balance for governmental funds at January 1, 2004 adjusted

CHARTER TOWNSHIP OF RAISIN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET ASSETS (continued)

for the conversion to the accrual basis of accounting and the consolidation of the internal service fund's net assets.

As a result of implementing GASB 34, the previously reported governmental fund balance reconciles to net assets of the governmental activities as of January 1, 2004 as follows:

	<u>Governmental</u>
Fund balance, January 1, 2004, as previously reported	\$ 871,311
Net Capital Assets	1,319,082
Long-term liabilities	<u>(1,032,622)</u>
Net Assets, January 1, 2004, full accrual	<u>\$ 1,157,771</u>

NOTE 2: LONG-TERM LIABILITIES

A) Debt service requirements at December 31, 2004 were as follows:

Year Ended December 31,	Governmental Activities		
	Durant Bonds		
	Principal	Interest	Total
2005	\$ 131,694	\$ 40,951	\$ 172,645
2006	134,277	37,918	172,195
2007	121,048	34,751	155,799
2008	52,878	21,885	74,763
2009	39,027	19,410	58,437
2010-2023	<u>389,459</u>	<u>115,318</u>	<u>504,777</u>
TOTAL	<u>\$ 868,383</u>	<u>\$ 270,233</u>	<u>\$ 1,138,616</u>

CHARTER TOWNSHIP OF RAISIN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 2: LONG-TERM LIABILITIES (continued)

B) CHANGES IN LONG-TERM LIABILITIES

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004	Current Portion
<u>Governmental:</u>					
Notes payable - land	\$ 315,000	\$ -	\$(105,000)	\$ 210,000	\$70,000
Lease payable - 2002 Tanker Truck	207,655	-	(18,871)	188,784	19,805
Lease payable - 2003 Ford Crown Victoria	42,272	-	(13,220)	29,052	14,072
Note payable - 2003 Ambulance	92,695	-	(17,148)	75,547	17,817
Note payable - Capital Bond Fund	375,000	-	(10,000)	365,000	10,000
TOTAL	\$1,032,622	\$ -	\$(164,239)	\$ 868,383	\$131,694

The interest expenditures on long-term obligations for the year were \$43,551.

NOTE 3: CASH DEPOSITS

Township policy limits the Treasurer's investing options to financial institutions with branches located in the local area. All accounts are in the name of the Township and a specific fund. They are recorded at cost and interest is recorded when the deposits mature or accrue.

Statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. agencies or instrumentalities, U.S. government or federal agency obligation repurchase agreements, obligations of the State, Certificates of Deposit, Commercial paper rated prime, Bankers' acceptances, and Mutual funds and Investment pools composed instruments that are legal for direct investment by a local unit of government in Michigan.

As of December 31, 2004 the Township of Raisin had the following amounts deposited:

CHARTER TOWNSHIP OF RAISIN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 3: CASH DEPOSITS (continued)

	Maturity Date	Interest Rate	Amount
General Fund:			
United Bank and Trust			
General checking	N/A	0.00%	\$ 363
Moneymaster	N/A	1.44%	302,941
Certificate of Deposit	02/28/05	4.43%	3,000
Fire Insurance Escrow	N/A	0.00%	210
Park Sinking Fund	N/A	0.00%	51
Cemetery Bond	N/A	0.00%	3,000
Capital Improvements Roads	N/A	0.00%	68,432
Cash on hand – Petty Cash	N/A	0.00%	564
			<u>\$ 378,561</u>
MBIA Class	N/A	5.11%	\$ 152,674
Special Revenue Fund:			
United Bank and Trust			
Checking	N/A	0.00%	\$ 250
MoneyMaster	N/A	1.44%	31,640
Safety Fund	N/A	1.44%	57,966
			<u>\$ 89,856</u>
Capital Improvement Fund:			
United Bank and Trust			
Checking	N/A	0.00%	<u>\$ 2,406</u>
Proprietary Fund:			
United Bank and Trust			
Checking	N/A	0.00%	<u>\$ 15,277</u>
Fiduciary Fund:			
United Bank and Trust			
Checking	N/A	0.00%	\$ 78
Winter tax MoneyMaster	N/A	1.44%	1,268,946
Winter tax checking	N/A	0.00%	28,029
Summer tax MoneyMaster	N/A	1.44%	31,156
Summer tax checking	N/A	0.00%	(1,599)
			<u>\$ 1,326,610</u>
		Carrying amount	Bank Balance
Insured Amount		\$ 200,000	\$ 200,000
Uninsured - uncollateralized		1,764,819	2,051,298
		<u>\$ 1,964,819</u>	<u>\$ 2,251,298</u>

CHARTER TOWNSHIP OF RAISIN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 4: POST EMPLOYMENT BENEFITS

The Township provides no post employment benefits to retirees.

NOTE 5: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

NOTE 6: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the general-purpose financial statements, the Township's actual expenditures and budgetary expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for those budgetary funds were adopted to the functional level. During the year ended December 31, 2004 the Township incurred expenditures in certain budgetary funds which were in excess of the amount appropriated, but not materially.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2004 was as follows:

	Balance December 31, 2003	Additions	Disposals	Balance December 31, 2004
Land and buildings	\$ 1,212,093	\$ 284,002	\$ (19,150)	\$ 1,479,945
Fire / ambulance equipment	1,375,446	-	(3,979)	1,371,467
Voting equipment	8,132	-	-	8,132
Township furniture / fixtures	116,271	13,153	(29,367)	100,057
Township equipment	12,498	-	(1,000)	11,498
Totals at historical cost	2,724,440	297,155	(53,496)	2,968,099
Less: accum. depreciation				
Land and buildings	(294,711)	(34,522)	19,150	(310,083)
Fire / ambulance equipment	(1,007,348)	(49,782)	3,979	(1,053,151)
Voting equipment	(6,146)	(1,626)	-	(7,772)
Township furniture / fixtures	(84,655)	(18,517)	29,367	(73,805)
Township equipment	(12,498)	-	1,000	(11,498)
Total accumulated depreciation	(1,405,358)	(104,447)	53,496	(1,456,309)
CAPITAL ASSETS - NET	\$ 1,319,083	\$ 192,708	\$ -	\$ 1,511,789

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated."

CHARTER TOWNSHIP OF RAISIN

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance Over(Under)
REVENUES:				
Taxes and penalties	\$ 1,014,578	\$ 982,671	\$ 1,040,175	\$ 57,504
Charges for services	34,875	34,875	75,733	40,858
Interest and rentals	20,225	20,225	24,975	4,750
Other revenue	<u>719,500</u>	<u>719,500</u>	<u>4,459</u>	<u>(715,041)</u>
Total revenues	1,789,178	1,757,271	1,145,342	(611,929)
EXPENDITURES:				
Current				
Legislative	71,637	100,984	87,309	(13,675)
General government	311,918	293,982	273,230	(20,752)
Public safety	12,112	30,926	23,538	(7,388)
Public works	106,937	107,920	37,460	(70,460)
Culture and recreation	64,371	63,086	46,959	(16,127)
Debt retirement	122,750	122,750	106,040	(16,710)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>689,725</u>	<u>719,648</u>	<u>574,536</u>	<u>(145,112)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,099,453</u>	<u>1,037,623</u>	<u>570,806</u>	<u>(466,817)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(562,500)</u>	<u>(562,500)</u>	<u>(450,000)</u>	<u>112,500</u>
Total other financing sources (uses)	<u>(562,500)</u>	<u>(562,500)</u>	<u>(450,000)</u>	<u>112,500</u>
Net change in fund balances	<u>\$ 536,953</u>	<u>\$ 475,123</u>	120,806	<u>\$ (354,317)</u>
FUND BALANCES:				
Fund Balance - January 1, 2004			<u>359,747</u>	
Fund Balance - December 31, 2004			<u>\$ 480,553</u>	

CHARTER TOWNSHIP OF RAISIN

BUDGETARY COMPARISON SCHEDULE
MAJOR SPECIAL REVENUE FUNDS
Year Ended December 31, 2004

	Public Safety Fund			
	Original Budget	Final Budget	Actual	Variance Over(Under)
REVENUES:				
Taxes and penalties	\$ 84,689	\$ 84,689	\$ 84,689	\$ -
Charges for services	127,090	127,090	174,156	47,066
Interest and rentals	500	500	1,080	580
Other revenue	<u>38,002</u>	<u>38,002</u>	<u>(4,252)</u>	<u>(42,254)</u>
Total revenues	250,281	250,281	255,673	5,392
EXPENDITURES:				
Public safety	784,275	798,812	746,092	(52,720)
Debt service	<u>65,860</u>	<u>65,860</u>	<u>58,198</u>	<u>(7,662)</u>
Total expenditures	<u>850,135</u>	<u>864,672</u>	<u>804,290</u>	<u>(60,382)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(599,854)</u>	<u>(614,391)</u>	<u>(548,617)</u>	<u>65,774</u>
OTHER FINANCING SOURCES (USES):				
Grant proceeds	25,800	25,800	27,569	1,769
Operating transfers in	<u>574,054</u>	<u>574,054</u>	<u>450,000</u>	<u>(124,054)</u>
Total other financing sources (uses)	<u>599,854</u>	<u>599,854</u>	<u>477,569</u>	<u>(122,285)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (14,537)</u>	<u>(71,048)</u>	<u>\$ (56,511)</u>
FUND BALANCES:				
Fund Balance - January 1, 2004			<u>166,993</u>	
Fund Balance - December 31, 2004			<u>\$ 95,945</u>	



August 8, 2005

To the Township Board
Raisin Charter Township

We have audited the financial statements of Raisin Charter Township for the year ended December 31, 2004, and have issued our report thereon dated May 14, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Raisin Charter Township. Such considerations were solely for determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Raisin Charter Township are described in Note 1 to the financial statements. The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of June 30, 2003. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments that would, in our judgment, either individually or in the aggregate, have a significant effect on the Organization's financial reporting process. These are listed in the "Other Matters" section of this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

The difficulties we encountered in dealing with management in performing and completing our audit are noted in "Other Matters" section of this letter.

Other Matters

We include the following comments and recommendations with respect to matters which came to our attention during the course of our audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting controls and the financial and administrative practices and procedures.

1. Again this year during our audit we made several material adjusting entries to the due to and due from accounts that we would normally consider unusual. We feel that the board should be aware of such adjustments.

This information is intended solely for the use of the Township Board and management of Raisin Charter Township and should not be used for any other purpose. If you have any questions concerning the implementation of our recommendations feel free to call us.

Very truly yours,

A handwritten signature in black ink, appearing to read "Brian J. Gruel". The signature is fluid and cursive, with the first name "Brian" and last name "Gruel" being clearly distinguishable.

Gross, Puckey, Gruel & Roof, P.C.